

# Osprey Medical Inc ARBN 152 854 923

## Audit Committee Charter

### 1. Introduction

- 1.1 The Audit Committee is a committee of the board of directors of Osprey Medical Inc (**Company**).
- 1.2 The board established the Audit Committee under the Company's Bylaws.
- 1.3 This charter sets out the scope of the Audit Committee's responsibilities in relation to the Company and its related bodies corporate (**Group**).

### 2. Objective

The objectives of the Audit Committee are to:

- (a) help the board achieve its objective in relation to:
  - (i) financial reporting;
  - (ii) the application of accounting policies;
  - (iii) business policies and practices;
  - (iv) legal and corporate regulatory compliance; and
  - (v) internal control and risk management systems;
- (b) maintain and improve the quality, credibility and objectivity of the financial accountability process (including financial reporting on a consolidated basis);
- (c) promote a culture of compliance;
- (d) provide a forum for communication between the board and senior financial and compliance management;
- (e) ensure effective external audit functions and communication between the board and the external auditor; and
- (f) review management's plans for managing the material risks faced by the Group.

### 3. External financial reporting

The responsibilities of the Audit Committee are:

- (a) assessing the appropriateness and application of the Group's accounting policies and principles and any changes to them, so that they accord with the applicable financial reporting framework;
- (b) obtaining an independent judgment from the external auditor about:
  - (i) the acceptability and appropriateness of accounting policies and principles put forward by management; and
  - (ii) the clarity of current or proposed financial disclosure practices as put forward by management;

- (c) assessing any significant estimates or judgments in the financial reports;
- (d) assessing information from the external auditor that may affect the quality of financial reports;
- (e) reviewing any half-yearly and annual financial reports with management, advisers and the external auditors (as appropriate) as recommending their adoption by the board;
- (f) discussing any draft audit opinion letter and management letter with the external auditors before it is finalised;
- (g) reviewing and approving as required, documents and reports to corporate regulators;
- (h) following up on any matter raised by the board regarding financial reports, audit opinions and management letters; and
- (i) any other responsibilities as determined by the Audit Committee or the Board from time to time.

## 4. Risk management and internal control

The responsibilities of the Audit Committee are:

### **Risk management and internal compliance and control systems**

- (a) overseeing the establishment and implementation of risk management and internal compliance and control systems and ensuring there is a mechanism for assessing the efficiency and effectiveness of those systems;
- (b) reviewing procedures on risk oversight and management to establish an effective and efficient system for:
  - (i) identifying, assessing, monitoring and managing risk; and
  - (ii) disclosing any material change to the risk profile;
- (c) receiving reports from management concerning the Group's material risks in order to assess the internal processes for determining, monitoring and managing these risks and to monitor the risk profile of the Group;

### **Disclosure and reporting**

- (d) ensuring management establishes a comprehensive process to capture information that must be disclosed to ASX;
- (e) reviewing management's processes for ensuring and monitoring compliance with laws, regulations and other requirements relating to the external reporting of financial and non-financial information; and

### **Other responsibilities**

- (a) any other responsibilities as determined by the Audit Committee or the Board from time to time.

## 5. External audit

The responsibilities of the Audit Committee are:

- (a) approving the terms of engagement with the external auditor at the beginning of each year;
- (b) regularly reviewing with the external auditor:
  - (i) the scope of the external audit;
  - (ii) identified risk areas; and

- (iii) any other agreed procedures;
- (c) approving policies and procedures for appointing or removing an external auditor,;
- (d) recommending to the board for approval, the appointment or removal of an external auditor;
- (e) approving the remuneration of the external auditor;
- (f) regularly reviewing the effectiveness and independence of the external auditor;
- (g) approving the types of non-audit services that the external auditor may provide without impairing or appearing to impair the external auditor's independence;
- (h) meeting periodically with the external auditors and inviting them to attend Audit Committee meetings to:
  - (i) review their plans for carrying out internal control reviews; and
  - (ii) consider any comments made in the external auditor's management letter, particularly, any comments about material weaknesses in internal controls and management's response to those matters;
- (i) reviewing all representation letters signed by management;
- (j) receiving and reviewing the reports of the external auditor; and
- (k) any other responsibilities as determined by the Audit Committee or the Board from time to time.

## 6. Other responsibilities

The responsibilities of the Audit Committee are:

- (a) assessing and recommending to the board for adoption the scope, cover and cost of insurance, including insurance relating to directors and officers liability, company reimbursement and professional indemnity;
- (b) if it considers appropriate, investigating any complaint or allegation made to it;
- (c) reviewing and monitoring any related party transaction and recommending its approval; and
- (d) any other responsibilities as determined by the Audit Committee or the Board from time to time.

## 7. Audit Committee composition

7.1 The Audit Committee should ideally comprise:

- (a) at least 3 directors;
- (b) all non-executive directors; and
- (c) a majority of independent directors.

7.2 The Audit Committee will appoint its chairperson. The chairperson should ideally be an independent director and may not be the chairperson of the board.

7.3 The ASX Corporate Governance Council recognises that smaller companies may face particular issues in attaining all of its recommendations at the outset and that the corporate governance practices of a company will evolve in the light of changing circumstances.

7.4 While the Company will aim to have a majority of independent non-executive directors on the Audit Committee and an independent chairperson, this may not always be possible, particularly while the Company's operations are at the development and initial commercialisation stage. The Audit Committee will appoint a secretary.

- 7.5 The Audit Committee must be of sufficient size, independence and technical expertise to effectively discharge its mandate.
- 7.6 Each member of the Audit Committee must be able to read and understand financial statements and at least one member must be a qualified accountant or other financial professional with experience of financial and accounting matters.
- 7.7 Each member of the Audit Committee should have an understanding of the industry in which the Group operates.
- 7.8 The board will decide appointments, rotations and resignations within the Audit Committee having regard to the ASX Listing Rules, the Delaware General Corporation Law and the *Corporations Act 2001* (Cth).

## 8. Audit Committee meetings

- 8.1 The Audit Committee will meet as often as it considers necessary.
- 8.2 A quorum for an Audit Committee meeting is 3 Audit Committee members.
- 8.3 Audit Committee meetings may be held by any technological means allowing its members to participate in discussions even if all of them are not physically present in the same place. A member who is not physically present but participating by technological means is taken to be present.
- 8.4 The Audit Committee may invite other persons it regards appropriate to attend its meetings.

## 9. Minutes of Audit Committee meetings

- 9.1 The Audit Committee must keep minutes of its meetings.
- 9.2 Minutes of each Audit Committee meeting must be included in the papers for the next full board meeting after each meeting of the Audit Committee, except if there is a conflict of interest.
- 9.3 Minutes must be distributed to all Audit Committee members, after the Audit Committee chairperson has approved them.
- 9.4 The agenda and supporting papers are available to directors upon request to the Audit Committee secretary, except if there is a conflict of interest.

## 10. Access to information and independent advice

- 10.1 The Audit Committee may seek any information it considers necessary to fulfil its responsibilities.
- 10.2 The Audit Committee has access to:
  - (a) management to seek explanations and information from management; and
  - (b) external auditors to seek explanations and information, without management being present.
- 10.3 The Audit Committee may seek professional advice from appropriate external advisers, at the Company's cost. The Audit Committee may meet with these external advisers without management being present.

## 11. Review and changes to this charter

- 11.1 The Audit Committee will review this charter annually or as often as it considers necessary.
- 11.2 The Board may change this charter from time to time by resolution.

## 12. Approved and adopted

This charter was approved by the Board on February 28, 2012.